



OFFICE OF
INSURANCE COMMISSIONER

In the matter of:

**PHYSICIANS INSURANCE
A MUTUAL COMPANY, WESTERN
PROFESSIONAL INSURANCE
COMPANY, and NORTHWEST
DENTISTS INSURANCE COMPANY,**

Authorized Insurers.

Order No. D06-248

**CONSENT ORDER
LEVYING A FINE**

FINDINGS OF FACT:

1. Physicians Insurance a Mutual Company ("PI"), Western Professional Insurance Company ("WPIC") and Northwest Dentists Insurance Company ("NDIC") are affiliated disability, property and casualty insurers domiciled in the State of Washington and are hereafter referred to collectively as "Companies".
2. On May 21, 2004, the Office of Insurance Commissioner ("OIC") entered Consent Order Imposing A Fine, Order No. D04-104, which Order is incorporated by this reference as though fully set forth herein. Pursuant to Order No. D04-104, the Companies were fined \$10,000 for violations in 2003 of the rate filing requirements set forth in RCW Chapter 48.19.
3. On May 2, 2005, the OIC entered Consent Order Assessing A fine, Ordering Refunds and Requiring Corrective Actions, Order No. D05-94, which Order is incorporated by this reference as though fully set forth herein. Pursuant to Order No. D05-94, the Companies were fined \$90,000 for additional violations of RCW Chapter 48.19.
4. In October 2004, the OIC had commenced a target market conduct examination of the Companies. As reflected in Order No. D05-94, the initial phases of this examination revealed serious additional insurance code compliance issues with respect to which the Companies needed to take corrective steps and the examination was terminated in order to pursue other action necessary to correct these problems.
5. Following entry of Order No. D05-94, the Companies made organizational changes, hired consultants, and catalogued, reviewed, and updated their rates and forms filings. Between April 2005 and May 2006, the Companies spent approximately \$1,200,000 to bring themselves into compliance with the rate and form filing requirements of RCW Title 48 and to make changes necessary to prevent future violations.

6. As agreed in Order No. D05-94, the Companies provided periodic updates on their consultants' recommendations and monitoring to the OIC. Consistent with the initial phase of the target market conduct examination, the Companies' monitoring reports and new filings reflected numerous past violations by the Companies' of the rate and form filing requirements of RCW Chapters 48.18 and 48.19.
7. The Companies' monitoring reports also demonstrated that corrections had been made by the Companies and that the Companies had systems in place to maintain future regulatory compliance.

CONCLUSION OF LAW:

1. The violations reported by the Companies in their monitoring reports included multiple instances in which the Companies had used unfiled forms in violation of RCW 48.18.100 and multiple instances in which the Companies had used unfiled rates or rating rules in violation of RCW 48.19.043.

CONSENT TO ORDER:

1. The Companies wish to resolve this matter without further administrative or judicial proceedings and hereby agree to entry of the foregoing Findings of Fact and Conclusion of Law. The Companies hereby consent to the entry of this order and acknowledge their duty to comply fully with the applicable laws of the State of Washington.
2. By agreement of the parties, the OIC will impose a fine of \$450,000, and suspend \$400,000 of that amount, on the condition the Companies have no further violations of RCW 48.18.100 or RCW 48.19.043 for a period of two years from the date of entry of this Order.
3. By agreement of the parties, the OIC will take no further enforcement action on the insurance code violations identified in the Findings of Fact, the terminated market conduct examination or the Companies' past updates to the OIC. The Companies understand and agree that any other or future failure to comply with the statutes which are the subject of this Order will constitute grounds for further penalties which may be imposed in direct response to such further violation or violations, in addition to the imposition of the suspended portion of the fine.
4. The suspended portion of the fine may be imposed at the sole discretion of the Insurance Commissioner according to the conditions set forth above, without any right to advance notice, hearing, or appeal; and

5. Pursuant to RCW 48.05.185, failure to pay the fine timely shall constitute grounds for the revocation of the insurers' certificates of authority, and for the recovery of the full fine in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.
6. The foregoing paragraphs 2 and 4 of this Consent to Order shall not be applicable to any future violations of rate and form filing requirements of RCW Title 48 by NDIC if, and only if, at the time of such future violation by NDIC of rate and form filing requirements of RCW Title 48, NDIC is no longer owned by PI.

EXECUTED AND AGREED, this 27th day of September, 2006.

PHYSICIANS INSURANCE A MUTUAL COMPANY

Signed Name: Mary Lou A. Misrahy

Printed Name: Mary-Lou A. Misrahy

Printed Title: President & CEO

WESTERN PROFESSIONAL INSURANCE COMPANY

Signed Name: Mary Lou A. Misrahy

Printed Name: Mary-Lou A. Misrahy

Printed Title: President & CEO

NORTHWEST DENTISTS INSURANCE COMPANY

Signed Name: Mary Lou A. Misrahy

Printed Name: Mary-Lou A. Misrahy

Printed Title: President & CEO

ORDER:

Pursuant to RCW 48.05.185, and subject to the exception stated in paragraph 6 in the above Consent to Order, the Insurance Commissioner hereby imposes a fine of Four Hundred Fifty Thousand Dollars (\$450,000) upon Physicians Insurance a Mutual Company, Western Professional Insurance Company, and Northwest Dentists Insurance Company, \$400,000 of which amount is suspended upon the condition that the Companies commit no further violations of RCW 48.18.100 or RCW 48.19.043 for a period of two years from the date of this Order. The portion of the fine amount which is not suspended, being the sum of \$50,000, must be paid in full within thirty days of the entry of this order. Failure to pay the fine timely shall constitute grounds for the revocation of the companies' certificates of authority, and for the recovery of the full fine including any suspended amount in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT TUMWATER, WASHINGTON, this 2nd day of October, 2006.

MIKE KREIDLER
Insurance Commissioner

By: 

CHARLES D. BROWN
Staff Attorney, Legal Affairs